



# DoD/VA Sharing



# Topics

- Financial Reimbursement Principles
- Standard Reimbursement Rates
- National Defense Authorization Act 2003 implementation:
  - Budget and Financial Management Demonstration Projects
  - Incentive Fund



# Financial Reimbursement Guiding Principles



- Sharing agreements should be valid business arrangements
- Price-based reimbursement (CMAC less 10%) will cover marginal costs for clinical services
- For other types of services (e.g., laundry), other estimation methods should be used
- Should not be seeking to profit from other party
- Implement standard reimbursement rates
- Bartering – not recommended, **but** must account for each side's contribution to the relationship



# Standard Reimbursement

- CMAC Less 10% for direct sharing between medical treatment facilities
- Does not apply to TRICARE network agreements
- Outpatient rates implemented FY 2003
- Inpatient rates delayed due to DoD billing system development
- Joint ventures exempt from policy but rates must be mutually agreeable



# Standard Reimbursement

- Rate table website published in billing guidance contains the professional fee
- DoD has found gaps in rate table due to lack of institutional charges for ambulatory procedures
- ER and Observation Bed rates have been corrected
- DoD working to correct all ambulatory procedures to add institutional charges





# Waiver to Standard Rate

- Waivers allowed if:
  - Rate doesn't cover costs and services cannot be bought at lower price in the private sector
  - Can obtain services in local community at significantly less cost and parties desire a larger discount to continue relationship
- Requirements for waiver in outpatient billing guidance of October 2003



# National Defense Authorization Act 2003



## **Budget and Financial Management Pilots:**

- VA Pacific Islands HCS –Tripler Army Med Center
- Alaska VA HCS – 3<sup>rd</sup> USAF Med Group, Elmendorf
- Demonstration to focus on improved financial methods for these two Joint Ventures
- Successful features may be exportable to other Joint Ventures



# Joint Incentive Fund

National Defense Authorization Act 2003, Section 721, authorizes DoD-VA Health Care Sharing Incentive Fund

- Intent is to fund creative sharing initiatives at facility, regional and national levels
- VA will administer the fund under the HEC
- Minimum VA and DoD contributions are \$15 million each from each Department for 4 years (\$120 million total) beginning in FY 2004





# Joint Incentive Fund



- Criteria for proposals include:
  - Improve beneficiaries' access
  - Improve quality
  - Supports DoD/VA Joint Strategic Plan
  - Congruent with corporate direction
  - Cost savings/avoidance
  - Develop in-house capability for services now obtained by contract
- GAO will conduct annual review on progress



# Lessons Learned

- Coordinate early with your VA or DoD partner
- Allow sufficient time for corporate review
- Keep in mind return on investment
- IT projects must be consistent with national projects/solutions
- Process does not supercede normal administration requirement of either Department